Ministry Of External Affairs
Government Of India

ECONOMIC DIPLOMACY & STATES DIVISION

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CONTENTS

OVERVIEW

The growth of India's gross domestic product (GDP) at constant prices for the first quarter of financial year 2018-19 was 8.2 per cent, reinforcing the upswing trend started since second quarter of 2017-18.[1] As a result, India's US$2.6 trillion economy is estimated to grow by as much as 7.5 per cent over the financial year ending March 31 2019.

Meanwhile, the growth in Gross Value Added (GVA) at constant basic prices for FY 2017-18 is estimated to be 6.5 per cent (PE). At the sectoral level, agriculture, industry and services sectors grew at an estimated rate of 3.4 per cent, 5.5 per cent and 7.9 per cent, respectively, in 2017-18. This indicates towards strengthening of the economy following a slowdown in the aftermath of certain national policy enactments as well as global market headwinds.

The Index of Industrial Production (IIP) grew by 4.3 per cent in August 2018, as compared with a growth of 4.8 per cent recorded in August 2017. IIP growth during April-August 2018-19 was 5.2 per cent, as compared with a growth of 2.3 per cent a year earlier. Meanwhile, production of eight core industries grew by 4.2 per cent in August 2018, as compared with 4.4 per cent in August 2017.

The value of merchandise exports declined by 2.2 per cent, while imports increased by 10.5 per cent in during September 2018 over September 2017. The nation's foreign exchange reserves stood at US$400.5 billion as on end-September and US$393.5 billion as on October 19, 2018.

The CPI inflation increased to 3.8 per cent in September 2018, from 3.7 per cent in August 2018. The WPI inflation increased to 5.1 per cent in September 2018 from 4.5 per cent in August 2018. The budget estimate of the fiscal deficit for 2018-19 has been set at 3.3 per cent of GDP, as compared with 3.5 per cent in 2017-18 (PA).

1 https://dea.gov.in/sites/default/files/MER%20September%202018.pdf

INDIA'S FINANCIAL MARKETS

Money Supply: Growth of money supply on year-on-year basis (as on September 28 2018) stood at 9.4 per cent, as compared with a growth of 5.6 per cent a year earlier. In the components of money supply, the growth of "currency with the public" was 23.1 per cent as on September 28, as against a drop of 9.6 per cent registered a year earlier.

As on September 25, growth of aggregate deposits of Scheduled Commercial Banks (SCBs) was 8.1 per cent. Bank credit grew by 12.5 per cent as on September 28, as against 6.1 per cent a year earlier.

INDIA'S PUBLIC FINANCE

- The Union Budget 2018-19 was presented on February 1st, 2018. As per the provisional actuals for 2017-18, the fiscal deficit of the Central Government as percentage of GDP is 3.5 per cent, as against the corresponding budget estimate of 3.2 per cent. The fiscal deficit is budgeted to decline to 3.3 per cent of GDP in 2018-19.

- The Budget estimate for revenue deficit as percentage of GDP for 2018- 19 is 2.2 per cent, as compared with 2.6 per cent in 2017-18 (RE).

- Revenue Receipts for 2018-19 is estimated at Rs17.3 trillion, as compared with RS14.4 trillion in 2017-18. Tax revenue (net to Centre) is estimated Rs14.8 trillion, as compared with Rs12.4 trillion. Total expenditure is estimated to rise by more than 14 per cent to Rs24.4 trillion.

INDIA'S INFLATION

- Inflation based on Consumer Price Indices (CPIs): The all-India Consumer Price Index – Combined (CPI-C) inflation increased to 3.8 per cent in September 2018 from 3.7 per cent in August 2018.

- Food inflation based on Consumer Food Price Index (CFPI) increased to 0.5 per cent in September 2018 from 0.3 per cent in August 2018 due to increase in inflation of cereals and products, spices and prepared meals, snacks, sweet, among others.

- CPI fuel and light inflation for September 2018 was 8.5 per cent, almost same as August 2018 (8.6 per cent).

- Wholesale Price Index (WPI): The WPI inflation increased to 5.1 per cent in September 2018 from 4.5 per cent in August 2018.
- WPI food inflation (food articles + food products) increased by 0.1 per cent in September 2018, as compared with a fall of 2.3 per cent in August 2018, mainly on account of increase in inflation of cereals.
- Inflation in fuel & power decreased to 16.6 per cent in September 2018, as compared with 17.7 per cent in August 2018.
- Inflation for manufactured products decreased to 4.2 per cent in September 2018 from 4.4 per cent in August 2018.
- Inflation for non-food manufactured products (core) decreased to 4.9 per cent in September 2018, as compare with 5 per cent in August 2018.

PERFORMANCE OF THE TOP SECTORS

Agriculture and Food Management

- Production of food grains: As per 1st Advance Estimates (AE) released by Ministry of Agriculture and Farmers' Welfare on September 26, production of food-grains during 2018-19 in kharif season is estimated at 141.6 million tonnes, compared with 140.7 million tonnes in 2017-18.
- Stocks: The total stocks of rice and wheat held by the Food Corporation of India and State agencies as on October 1 was 55.3 million tonnes, as compared with 61.2 million tonnes as on September 1.

Industry and Infrastructure

Index of Industrial Production (IIP)

- The general IIP grew by 4.3 per cent in August 2018, as compared with 4.8 per cent recorded in August 2017. The growth of IIP during April-August 2018 was 5.2 per cent, as compared with a growth of 2.3 per cent recorded in the previous year.
- The production of the manufacturing sector grew by 4.6 per cent in August 2018, as compared with a growth of 3.8 per cent in August 2017.
- The manufacturing sector's growth during April-August 2018 was 5.4 per cent, as compared with a growth of 1.7 per cent during April-August 2017. In terms of use based classification, all sectors registered positive growth in August 2018.

Eight Core Industries

- Production of eight core infrastructure industries grew by 4.2 per cent in August 2018, as compared with a growth of 4.4 per cent in August 2017. During April-August 2018, the production of eight core industries grew by 5.5 per cent, as compared with a growth of 3 per cent recorded in the previous year.

Production growth (per cent) in Core Infrastructure Supportive Industries				
Industry	2017-18 (Apr-Aug.)	2018-19 (Apr-Aug.)	August - 2017	August - 2018
Coal	-0.2	10.3	15.4	2.4
Cure oil	-0.3	-3.3	-1.6	-3.7
Natural Gas	4.8	-0.6	4.2	1.1
Refinery Products	1.0	7.4	2.4	5.1
Fertilizers	-0.9	1.7	-0.6	-5.3
Steel	6.0	3.4	2.2	3.9
Cement	-1.7	14.7	0.7	14.3
Electricity	6.1	5.3	8.3	5.4
Overall Growth	3.0	5.5	4.4	4.2
Source: Office of Economic Advisor, DIPP (Ministry of Commerce & Industry)				

Infrastructure Indicators

- The number of telephone subscribers in India increased from 1.18 billion at the end of July 2018 to 1.19 billion at end August 2018. The overall teledensity in India increased from 90.4 per hundred individuals at end July 2018 to 91.1 at end August 2018; the urban tele-density was 161.1 and rural tele-density was 58.6 at end August 2018.
- The traffic handled at major ports grew by 5.1 per cent to 343.3 million tonnes in April-September 2018, from 326.5 million tonnes in the previous year.
- The total installed capacity for electricity generation was 344.7 GW at the end of August 2018, of which the share of thermal, hydro, renewable and nuclear sources was 64.3 per cent, 13.2 per cent, 20.5 per cent and 2.0 per cent respectively.
- As per the Central Electricity Authority, electricity generation grew by 3.0 per cent in August 2018 (year on year basis).

INDIA'S EXTERNAL TRANSACTIONS

Foreign trade: Merchandise exports during September 2018 were valued at US$28 billion, as compared with US$28.6 billion in September 2017, exhibiting a negative growth of 2.2 per cent.[2] Meanwhile, merchandise imports during September 2018 were valued at US$41.9 billion, which was 10.5 per cent higher than imports of US$38 billion in September 2017. Under services, exports during August 2018 were valued at US$16.5 billion, registering a drop of 5.9 per cent from July 2018, and imports were valued at US$10.4 billion, reporting a drop of 4.6 per cent.

Exports and Imports (US$ billion)							
Items	2017-18	Sept 2017	Sept 2018 (P)	Growth (%)	Apr-sept 2017	Apr-sept 2018(P)	Growth (%)
Exports	303.5	28.6	28.0	-2.2	145.6	164.0	12.5
Imports	465.3	38.0	41.9	10.5	222.4	258.4	16.2
Oil Imports	108.7	8.2	10.9	33.6	46.5	69.7	50.1
Non-Oil imports	356.9	29.8	31.0	4.1	176.0	188.6	7.2
Trade Deficit	-162.1	-9.4	-14.0	-	-76.7	-94.3	-

Source: Ministry of Commerce and Industry | Note: P: Provisional

- **Balance of Payments:** India's current account deficit (CAD) was US$15.8 billion (2.4 per cent of GDP) in the first quarter (April-June) of 2018-19, as compared with US$15 billion (2.5 per cent of GDP) in the corresponding quarter of 2017-18. The widening of the CAD on year-on-year basis was primarily on account of a higher trade deficit.
- F**oreign Exchange Reserves:** Foreign exchange reserves stood at US$400.5 billion as on end-September 2018, as compared with US$ 424.5 billion at end-March 2018. In 2017-18, there was an accretion of US$43.6 billion to the foreign exchange reserves, as compared with an accretion of US$21.6 billion in 2016- 17.
- **Exchange rate:** The Indian rupee depreciated against the US dollar, pound sterling, Euro and Japanese Yen by 3.7 per cent, 4.8 per cent, 4.5 per cent and 3.0 per cent, respectively, in September 2018 over August 2018.
- **External Debt:** India's external debt stood at US$514.4 billion at end-June 2018, recording an increase of 6 per cent over the level at end-June 2017. Short-term external debt was US$98.7 billion at end June 2018.

2 http://pib.nic.in/newsite/PrintRelease.aspx?relid=184207

INDIA'S FDI AND ODI

Foreign Direct Investment into India (FDI)

- The nation's foreign direct investment (FDI) equity inflow over the first quarter of 2018-19 spanning April-June was US$12.8 billion, marking an increase of 23 per cent from previous year. [3]
- The nation's foreign direct investment (FDI) equity inflow over 2017-18 spanning April-March was US$44.9 billion, marking an increase of 3.2 per cent from previous year.[4]
- The top investing nations were - Mauritius, Singapore, Japan, the UK, the Netherlands, the USA, Germany, Cyprus, France and the United Arab Emirates.
- The top sectors in India attracting foreign investments were - services, computer software and hardware, telecommunications, infrastructure development, trading, automobile, pharmaceuticals, chemicals, power and construction.
- The top regions receiving foreign investments - Mumbai, New Delhi, Bengaluru, Chennai, Ahmedabad, Hyderabad, Kolkata, Kochi, Jaipur, Chandigarh.

India's Overseas Direct Investment (ODI)

- Cumulative ODI outflows (from April to December 2017): US$7.3 billion [5]
- Cumulative ODI (financial commitment): US$16.6 billion
- Top ten ODI destination countries: Mauritius, Singapore, the USA, the UAE, the Netherlands, the UK, Switzerland, Russia, Jersey, British Virgin Islands
- Sectors attracting highest ODI outflows: manufacturing, financial services, retail, logistics, agriculture and mining, community services, energy and water, construction and others.

[3] http://dipp.nic.in/sites/default/files/FDI_FactSheet_23August2018.pdf

[4] http://dipp.nic.in/sites/default/files/FDI_FactSheet_29June2018.pdf

[5] https://dea.gov.in/sites/default/files/ODI%20Fact%20Sheet%20from%20April%202014%20to%20December%202017.pdf

OUTLOOK FOR THE INDIAN ECONOMY

- Indian economy is touted to grow by around 7.5 per cent in 2018 and 2019 despite global challenges such as volatile oil prices, according to Moody's Investors Service.[6] In the Global Macro Outlook for 2018-19, Moody's said that the growing consumer base in India along with a steady recovery in industrial and manufacturing activities will drive growth economic. In contrast, Moody's put G-20 growth at 3.3 per cent in 2018 and 3.1 per cent in 2019.
- As global economic activity continues to strengthen, growth has been estimated at 3.9 per cent during 2018 as per the International Monetary Fund's (IMF) January 2018 World Economic Outlook. However, the IMF expects India to grow at 7.4 per cent during 2018 which could increase further to 7.8 per cent during 2019 in contrast to 6.7 per cent during 2017. [7]
- OECD states: "Economic growth will be supported by an acceleration in private investment as excess capacity diminishes, deleveraging by corporates and banks continues and infrastructure projects mature. Exports will strengthen thanks to competitiveness gains resulting from the implementation of the GST. As higher agricultural prices raise rural incomes and consumption, modernisation of labour laws will promote job creation and make growth more inclusive." [8]
- India's GDP is expected to reach US$6 trillion by FY 2027 and achieve upper-middle income status on the back of digitisation, globalisation, favourable demographics, and reforms. India is expected to be the third largest consumer economy with consumption tripling to US$4 trillion by 2025, owing to shift in consumer behaviour and expenditure pattern, according to a BCG report.

[6] https://www.thehindubusinessline.com/economy/moodys-puts-india-growth-in-2018-2019-at-75/article24759405.ece

[7] https://www.ciiblog.in/indian-economic-outlook-2018-19/

[8] http://www.oecd.org/eco/outlook/economic-forecast-summary-india-oecd-economic-outlook.pdf

For more information: Ministry of Finance, Department of Economic Affairs Monthly Economic Report September 2018